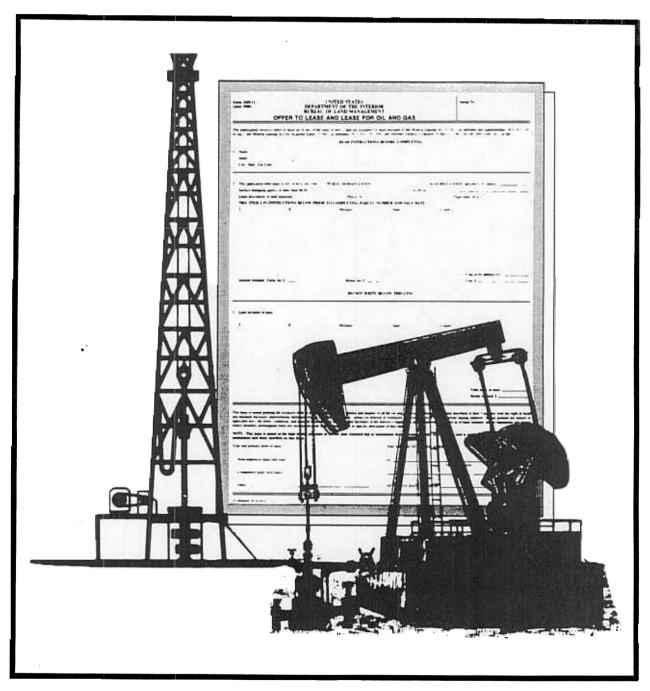
# Oil and Gas Adjudication Handbook

# Fees, Rentals, and Royalty



### H-3103-1 - FRES, RENTALS, AND ROYALTY

# Table of Contents

Intr	oduction	i
I.	Pees	1
	A. General	ī
	B. Deposit of Filing and Administrative Fees	2
		4
II.	Lease Rental Provisions	3
	A. General	3
	B. Leases Issued Under the Reform Act of December 22, 1987	8
	C. Other Leases Issued On or After June 17, 1988	9
	D. Leases Issued On or After September 2, 1960, and Prior to the	
	Reform Act	11
	E. Leases Issued Prior to September 2, 1960	13
	F. Leases in Cooperative Agreements - Assignments and Segregations	14
	G. Credit for Advance Rental	16
	H. Proration of Rentals	17
	I. Fractional Interest Leases	18
	J. Refunds	19
III.	Minimum Royalty	21
	A. General	21
	B. Application of Minimum Royalty	23
	C. Effect of Lease Segregation on Minimum Royalty	25
IV.	Lease Royalty Provisions	27
	A. General	27
	1. 1920 Act	27
	2. 1935 Act	29
	3. 1942 and 1945 Acts	30
	4. 1946 Act	31
	5. 1960 Act	32
	6. Mineral Leasing Act for Acquired Lands of August 7, 1947	
	The state of the s	32
	7. Federal Onshore Oil and Gas Leasing Reform Act of	33
	December 22, 1987	34
	•	
	C. Sliding-Scale Leases	36
	D. 12½ Percent Determinations	37
	E. Effects of Unitization	38
	F. Effects of Communitization	39
	G. Bond Demands for Royalty Liabilities	40
<b>v</b> .	Reversion of Lease Account from Minimum Royalty to Rental	
• •	Status	41
	A. General	41
	B. Nonunitized Leases	42
	C. Unitized Leases	44
	D. Automated Notation	

# E-3103-1 - FEES, RENTALS, AND ROYALTY

#### Table of Contents

	<u>P</u>	age
VI.	Leases Affected by KGS/FPGP Determinations	49
	A. General	49
VII.	Reduction of Rental and Royalty	51
	A. General	51
	B. Action on Application for Reduction of Rental or Royalty	53
	C. Action on Notification of Reduction of Royalty - Stripper Oil	
	Wells	56
VIII.	Suspension of Operations and/or Production	59
	A. General	59
	B. Suspension of Operations and Production (Section 39) -	
	Suspension of Lease Term and Rental	62
	C. Suspension of Operations and Production (Section 39) - Lifting	
	of Lease Suspension and Adjustment of Lease Term and Rental  D. Suspension of Operations Only (Section 17(i)) - Action on	63
	Leases	69
	E. Suspension of Operations - Adjustment of Lease Term When	
	Suspension Lifted	71
	F. Suspension of Production Only (Section 17(i)) - Action on	
	Leases	73
	G. Suspension of Production - Adjustment of Lease Term When	
	Suspension Lifted	74
IX.	Suspension of Excess Overriding Royalties or Payments Out of	
	Production	75
	A. Background	75
	B. Current Policy	76
Gloss	ary of Terms (See Handbook 3100-1)	
	······································	
	trations	
	Table of Leases Affected by Secretarial Rental Reduction of January 19, 1989	
	Automated Clearing House Payment Procedures Flow Chart	
	Lease Rental Rate Provisions	
	Format for Accounting Advice Waiving Additional Rental Resulting from	
	Lease Segregation/Partial Assignment	
	Format for Accounting Advice for BLM Authorization of MMS Refund Actio	n
	Table Showing Royalty Schedule Provisions and Related ALMRS Action Cod	
	Synopsis of Rental and Royalty Schedules A, B, C, and D	
8. 8	Schedule A - Rental and Royalty Rate Schedule for Noncompetitive Lease	•
9. 5	Schedules B and C - Rental and Royalty Rate Schedules	
	Schedule D - Rental and Royalty Schedule	
	Calculation of Sliding Scale Royalty for Production Above and Below 30° Baume	
	30° Baume Format for Decision Approving Royalty Rate Reduction	
	Format for Decision Approving Royalty Rate Reduction Format for Decision Rescinding Royalty Rate Reduction	
13. 1	totmer for pactaton rescringing robatch race requestion	

#### H-3103-1 - FRES, RENTALS, AND ROYALTY

#### Table of Contents

- Format for Letter of Notification of Suspension of Operations and Production
- 15. Format for Decision Notifying Lessee of Suspension of Operations and Production and Suspension of Lease Term and Rental
- 16. Format for Accounting Advice Showing Suspension of Lease Term and Rental
- 17. Format for Memorandum Notifying State Office Adjudication Section of Lifting of Suspension of Operations and Production
- 18. Format for Decisions Notifying Lessee of Lifting of Suspension of Operations and Production
- 19. Charts for Prorating Rental Computing Daily and Monthly Rental
- 20. Format for Accounting Advices Showing Lifting of Suspension of Operations and Production
- 21. Format for Letter of Notification of Suspension of Operations
- 22. Format for Accounting Advice Showing Suspension of Lease Term Only
- 23. Format for Memorandum Notifying State Office Adjudication Section of Lifting of Suspension of Operations Format for Notice to Lessee Adjusting Lease Term Upon Lifting of Suspension of Operations Format for Accounting Advice Showing New Expiration Date When Suspension of Operations is Lifted
- 26. Format for Letter of Notification of Suspension of Production
- 27. Format for Memorandum Notifying State Office Adjudication Section of Lifting of Suspension of Production
- 28. Format for Notice to Lessee Adjusting Lease Term Upon Lifting of Suspension of Production

#### Appendices

- 1. Reference List of Decisions Addressing Oil and Gas Lease Rentals
- 2. Reference List of Decisions Addressing Oil and Gas Lease Minimum Royalties
- 3. Listing of ALMRS (Case Recordation) Data Element (DE) 1775 and 2910 Action Codes Applicable to Handbook 3103-1

#### Index by Keywords